

WORKERS' COMPENSATION MEDICAL COSTS

Review of Proposed Study Areas

Possible Survey Questions

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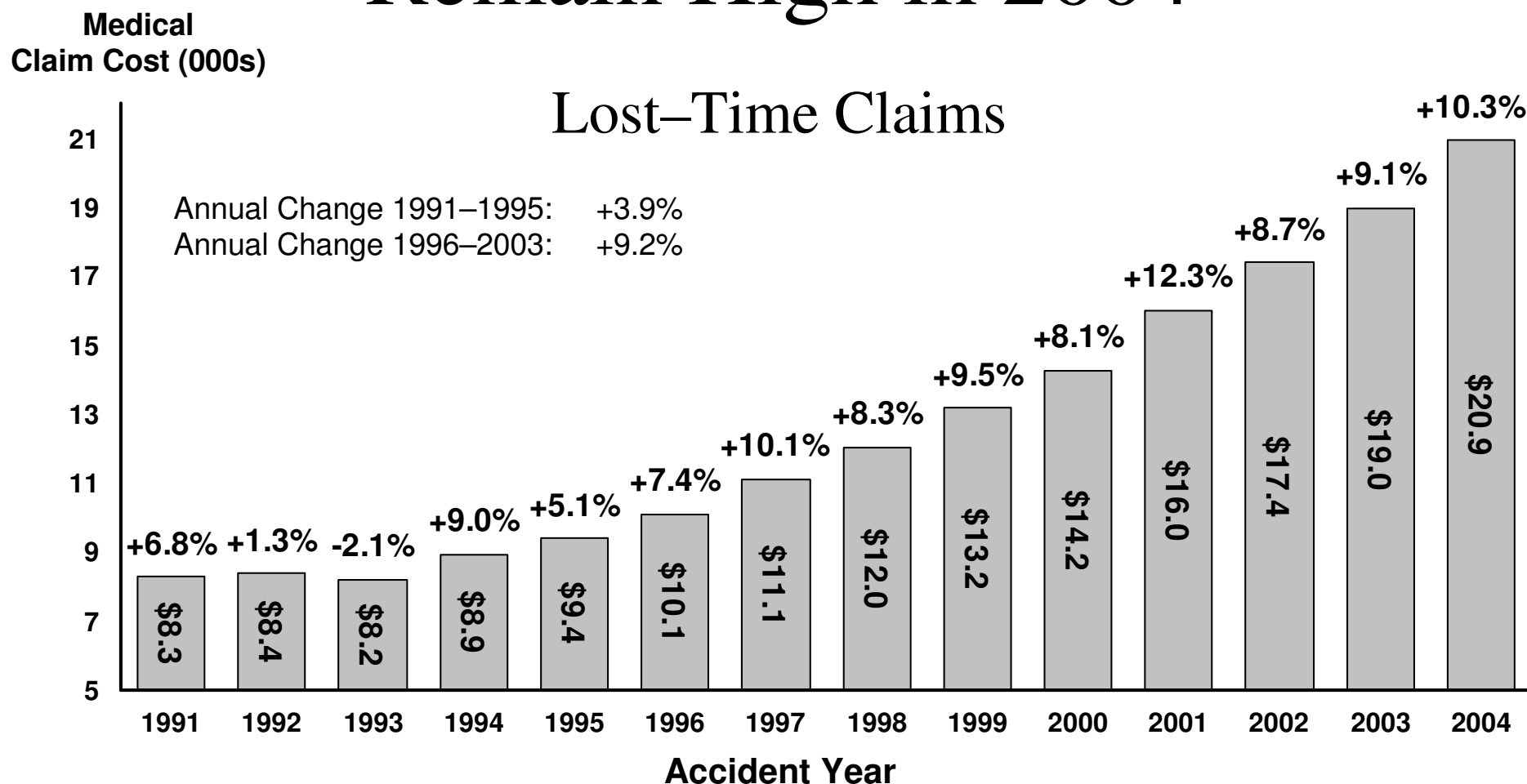
Employment Relations Division

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Medical Regulations Unit

WC Medical Claim Cost Trends

Remain High in 2004



1991-2004: Based on data through 12/31/2004, developed to ultimate
Based on the states where NCCI provides ratemaking services
Excludes the effects of deductible policies

WC Study Status Meeting 04/17/06

Behind Rising Costs

Supply Side “**PUSH**” (*controlling price creep*)

- rising prices

Demand Side “**PULL**” (*controlling appetite*)

- rising utilization
- introduction of new technologies

Supply Side Issues

- Provider Services
- Drug Costs
- Hospital Costs



Proposed Study Area

Fee Schedule

Supply Side “**PUSH**”

- Fee Schedules
 - choosing a schedule – prevailing charges, RVUs, DRGs
 - scope of the schedule – which services, which providers
 - initial price point – relationship to other payment systems
 - allowable inflation – CPI, PPI, “sustainable growth”, SAWW

Proposed Study Area

Fee Schedule

Survey Questions for Comparison States

- Have you adopted a fee schedule?
- Which medical services are included/excluded in your schedule?
- Do you use the RBRVS valuing system? For what services?
- Are your medical payments tied to Medicare? What % of Medicare?
- What percentage of charges is reimbursed per category?
- Are other reimbursement methods used? For what services?

Proposed Study Area

Fee Schedule

Survey Questions for Comparison States

- How do you pay hospital inpatient and outpatient services?
- Are critical access hospitals reimbursed at a higher rate?
- Are Ambulatory Surgery Centers in your fee schedule? How?
- How do you pay all other categories of medical services?
- Are there any limits on the number of visits?
- Are there any limits on the number of services per visit?

Proposed Study Area Fee Schedule

Survey Questions for Comparison States

- Have you adopted a conversion factor?
- Is it a single conversion factor for non hospital services?
- If multiple conversion factors, for what groups of services?
- Do you have statistics on average cost per medical visit?
- How are reimbursement rates adjusted? Is it done annually?

Proposed Study Area

Fee Schedule

Survey Questions for Comparison States

- What is the legal standard for obligation to provide medical services?
- I.E., Take employee as you find them? Objective medical evidence?
- I.E., More probable than not it is work related?
- Do you cover palliative care? Up to MMI or continuing maintenance?
- Does your statute provide for lifetime medical payments?
- If not, when do medical payments end?

Proposed Study Area

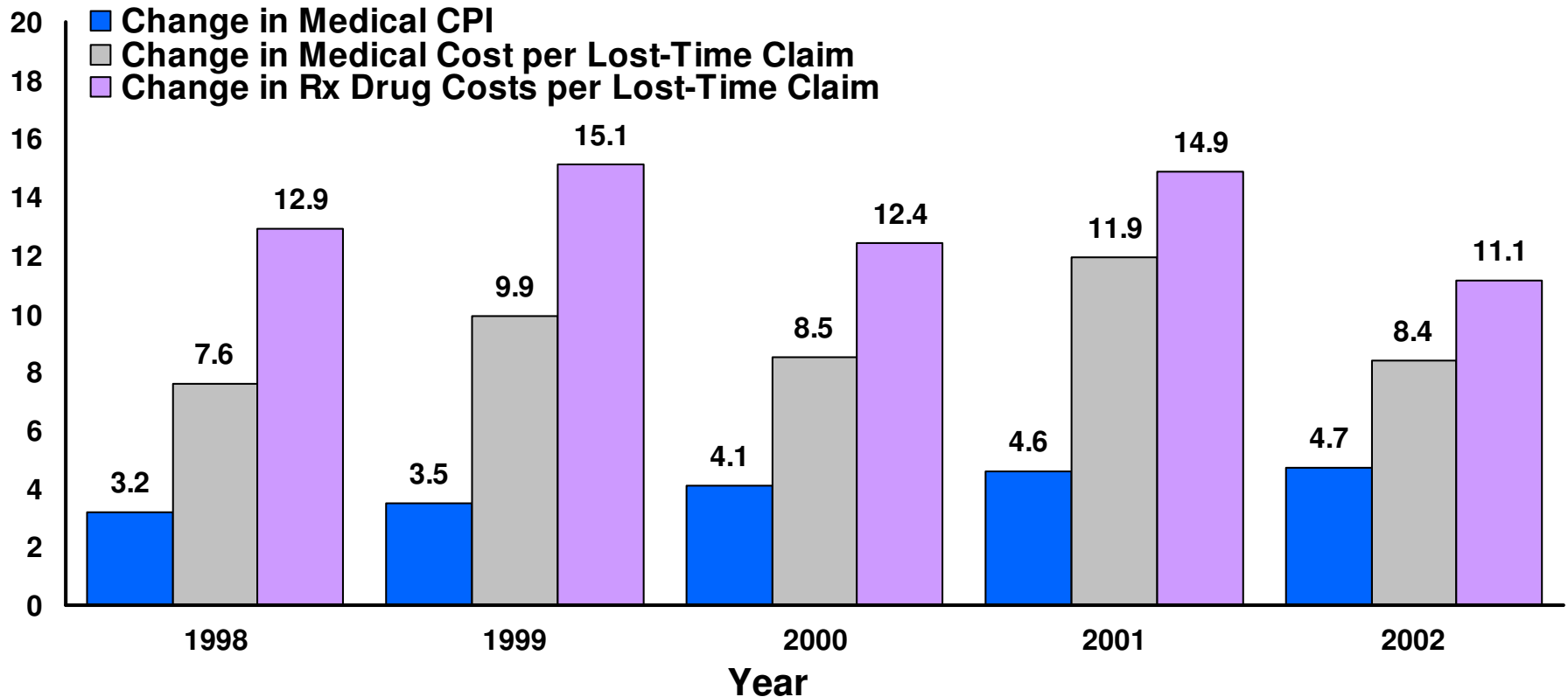
Drug Costs

Push and Pull...

- supply side
 - Medication prices rising faster than for any other service
 - Most workers' compensation systems pay 100% of sticker price (AWP)
- demand side
 - More patients take more medicines for longer time
 - New very costly brand-name drugs replace older cheap generics

Drug Costs Are Increasing More Rapidly Than Total WC Medical Costs

Percent Change



Medical severity: Based on data through 12/31/2003, developed to ultimate

Based on the states where NCCI provides ratemaking services, excludes the effects of deductible policies

Source: Calendar year medical Consumer Price Index (CPI), Economy.com; Accident year medical severity, NCCI;

Accident year Rx Drug Costs, NCCI estimate based on sample data provided by carriers

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Proposed Study Area

Drug Costs

Survey Questions for Comparison States

- How are prescription drug costs paid?
- Are payments based on average wholesale price? What %?
- If not, what benchmark do you use?
- Do you pay a separate dispensing fee? What amount?
- Do you allow the use of pharmacy benefit managers?
- How are pharmacy benefit managers reimbursed?

Proposed Study Area

Drug Costs

Survey Questions for Comparison States

- What percentage of drug payments are for generics?
- Do you have conditions for payment of brand name drugs?
 - I.E., only if generics are not available?
 - Or, only if required by treating physician?
- Does your statute provide for lifetime drug payments?
- If not, when can drug payments be ended?

Proposed Study Area

Treatment Guidelines

Demand Side “PULL”

- treatment guidelines
 - who decides best practices
 - who enforces best practices, and how
 - managing discontent – the disconnect between satisfaction and outcomes

Proposed Study Area

Treatment Guidelines

Survey Questions for Comparison States

- Have you implemented Treatment or Utilization Guidelines?
- If yes, what Guidelines do you use? How were they developed?
- What process did you use to get them adopted?
- Are they effective? Are they accepted by medical providers?
- Do you use any of the ACOEM (American College of Occupational and Environmental Medicine) Guidelines?
- Do you use any of the American Academy of Disability Evaluating Physicians Guidelines?

Proposed Study Area

Treatment Guidelines

Survey Questions for Comparison States

- Have you included outcome based measures in your guidelines?
- Have you analyzed outcomes based on your treatment guidelines?
- Are medical providers required to purchase guidelines?
- Do you certify physicians or medical providers to provide care?
- Are there other limitations on who can provide medical care?
- Do you limit the number of treatments for any specific medical care?

In Conclusion

Proposed Areas of Study

- Fee Schedules
- Drug Costs
- Treatment Guidelines



Questions or Comments?



You may also email your questions or comments to Anne Wolfinger (by May 01, 2006):

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